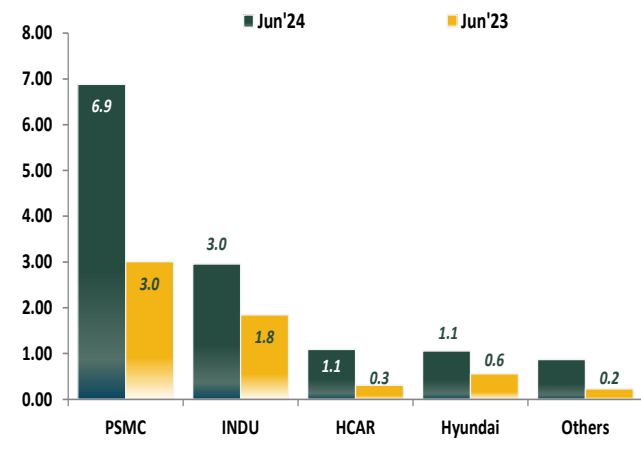


Auto Sector Update

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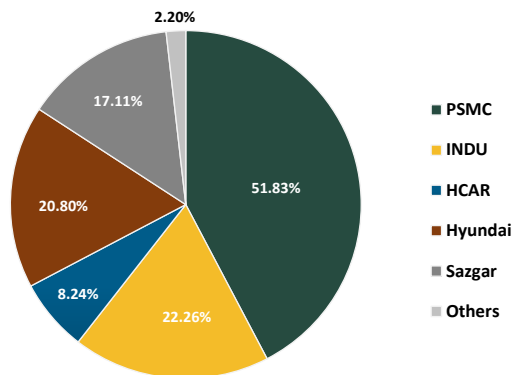
Steering Toward Stability: Autos Monthly Trends and Analysis

Monthly Sales - YoY (in '000)



Source: PAMA, HMFS Research

Four Wheeler's Market Share - FY24



Source: PAMA, HMFS Research

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In June 2024, the Pakistan Automotive Manufacturers Association (PAMA) reported a significant surge in car sales, reaching 13,284 units—an 18-month high and a 1.20x times increase compared to the previous period. This surge was largely attributed to favorable budget measures for the auto industry and a low base effect from the previous year.

The increase in sales was primarily driven by positive economic indicators, including a decline in inflation, with the Consumer Price Index (CPI) dropping to 12.6% in June 2024. This decline boosted purchasing power and increased demand for auto financing, further supported by a 150 basis points decrease in the policy rate to 20.5%. Despite the strong performance in June, the fiscal year 2024 saw total car sales of 81,577 units, reflecting a year-over-year decline of 16%.

As per PAMA's sales figures for June 2024:

- Passenger car sales soared by 1.38x times y/y, reaching a total of 10,128 units. Additionally, sales experienced a robust 19% increase month-on-month, driven by a significant decrease in car prices. This noticeable improvement in car sales may be attributed to pre-budget anticipations regarding higher taxes on the local automobile sector. Despite these gains, FY24 industry car volumes decline due to previous year restrictions and record-high inflation.
- Sales figures for both CVs and SUVs have seen a remarkable increase, with a 78% year-on-year and 28% month-on-month growth, despite escalating inflation impacting the luxury car market. A total of 3,156 units were sold, highlighting strong demand and market resilience as inflation lowers.
- Tractor sales experienced a significant year-on-year increase of 38%, reaching a total of 4,134 units sold. Additionally, a month-on-month analysis reveals a further growth of 34%, indicating a revival in the agriculture sector.
- On a year-over-year basis, the performance of buses and trucks exhibited a dual pattern. Buses experienced a marginal 7% decrease, while trucks saw a substantial 143% increase. In contrast, the month-over-month analysis revealed a modest 11% decline in bus performance, whereas trucks surged by 28%.
- In the motorcycle industry, June 2024 witnessed a month-over-month decline of 24% in sales, culminating in a total of 89,895 units sold.

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INDU: In June 2024, INDU surged to capture the second-largest market share at 22.26%, showed a remarkable 44% month-over-month increase and a robust 60% rise compared to the same period last year. This growth was primarily driven by impressive performances across its product line. Sales of INDU variants, including the Corolla Yaris and Corolla Cross, experienced a significant 47% month-over-month increase, while the Fortuner and Hilux models saw a 37% surge in sales. These strong performances collectively propelled INDU's overall mainly due to the lower base caused by plant shutdowns at INDU.

HCAR: In June 2024, HCAR reported a marginal month-on-month decline in sales of 8%, with a total of 1,095 units sold. This decrease was driven by a 6% drop in Honda City sales and a 18% decline in Honda BR-V sales, influenced by increased competition from SAZEW and INDU in this car segment. However, HCAR achieved a massive year-over-year sales growth of 2.57x times.

SAZEW: SAZEW demonstrated growth in the cars and SUVs segment, achieving a year-on-year surge of 2.82x times by selling 871 units. Month-on-month, SAZEW experienced a 12% increase in sales. Meanwhile, Haval reported a 10% month-on-month sales growth, selling 860 units, contributing positively to their upcoming financial results. In the three-wheeler segment, SAZEW encountered a slight downturn with 1,818 units sold, reflecting a 7% decrease month-on-month. Despite this, SAZEW achieved a significant year-over-year increase of 2.07x times in three-wheeler sales.

Outlook

Looking ahead, Pakistan's auto sector shows signs of potential growth. This cautious optimism stems from the likelihood of the country securing an extended and substantial IMF bailout, which could stabilize the economy and improve its fiscal health. Moreover, many companies are poised to launch new car variants and models, which could significantly bolster sales. While this stabilization is expected to benefit the automotive industry, the sector still faces inherent challenges. Recent Consumer Price Index (CPI) data reveals a slight decline in headline inflation, suggesting a potential rate cut in forthcoming Monetary Policy Committee (MPC) meeting(s). If realized, this rate cut could incentivize auto financing, offering a much-needed boost to the industry. However, the full impact remains contingent on broader economic conditions and policy decisions.

* **Y/Y:** year on year basis, **M/M:** month on month basis, **SPLY:** Same Period Last Year ; **PAMA:** Pakistan Automotive Manufacturers Association

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Sales	FY24	FY23	YoY	Jun-24	Jun-23	YoY	May-24	MoM
Top Listed Automobiles Companies' Sales								
PSMC	54,428	65,371	-17%	6,885	3,009	129%	6,010	15%
INDU	20,770	31,104	-33%	2,957	1,846	60%	2,047	44%
HCAR	13,214	16,879	-22%	1,095	307	257%	1,187	-8%
SAZEW	5,374	1,599	236%	871	228	282%	780	12%
Cars	81,577	96,808	-16%	10,128	4,258	138%	8,487	19%
Cars & LCV's								
LCV's + SUVs	22,249	30,223	-26%	3,156	1,776	78%	2,462	28%
Total	103,826	127,031	-18%	13,284	6,034	120%	10,949	21%
Tractors								
AGTL	15,291	12,320	24%	1,416	854	66%	731	94%
MTL	30,203	18,622	62%	2,718	2,136	27%	2,347	16%
Total	45,494	30,942	47%	4,134	2,990	38%	3,078	34%
Trucks								
Isuzu	1,243	1,463	-15%	120	37	224%	111	8%
Hino	199	584	-66%	14	15	-7%	17	-18%
Master	604	971	-38%	101	48	110%	58	74%
JAC	164	164	0%	25	7	257%	17	47%
Total	2,210	3,182	-31%	260	107	143%	203	28%
Buses								
Hino	133	254	-48%	9	11	-18%	7	29%
Master	231	263	-12%	29	27	7%	29	0%
Isuzu	90	137	-34%	1	4	-75%	8	-88%
Total	454	654	-31%	39	42	-7%	44	-11%
Motorcycles								
Atlas Honda	1,003,253	1,005,408	0%	80,204	75,056	7%	103,297	-22%
Pak Suzuki	16,876	29,274	-42%	1,570	363	333%	1,696	-7%
Yamaha	6,562	13,217	-50%	338	942	-64%	400	-16%
Others	123,421	138,788	-11%	7,783	6,299	24%	13,418	-42%
Total	1,150,112	1,186,687	-3%	89,895	82,660	9%	118,811	-24%
Three Wheelers								
SAZEW	15,014	9,381	60%	1,818	592	207%	1,962	-7%

Source: PAMA, HMFS Research

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- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

HMFS RATING GUIDE	
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<i>HOLD</i>	<i>Between 15% Upside & 15% Downside</i>
<i>SELL</i>	<i>More than 15% Downside</i>
Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price" Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes	